

Message Text

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PAGE 01 BONN 00803 161746Z

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 INT-08 FEA-02 SCI-06 FPC-01

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TO SECSTATE WASHDC PRIORITY 9762

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STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, GW

SUBJECT: ENERGY, ALTERNATIVE ENERGY SOURCES

REF: STATE 006596

1. THERE IS CONSIDERABLE INTEREST WITHIN GERMANY IN BOTH GOVERNMENT AND ACADEMIC CIRCLES IN THE QUESTION OF ALTERNATIVE ENERGY SOURCES SINCE GERMANY IS 55 PERCENT DEPENDENT UPON PETROLEUM FOR ITS ENERGY REQUIREMENTS, MOST OF WHICH IS IMPORTED FROM OPEC COUNTRIES.

2. IN THE SHORT RUN THE PRIMARY ALTERNATIVE TO IMPORTED
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PAGE 02 BONN 00803 161746Z

PETROLEUM IS INCREASED COAL PRODUCTION. IT IS ESTIMATED THAT THE CAPACITY OF LIGNITE PRODUCTION, MAINLY FOR POWER

GENERATION, COULD BE INCREASED BY 50 PERCENT IN TWO TO THREE YEARS. GERMANY ALSO HAS THE CAPACITY OF PRODUCING SYNTHETIC PETROLEUM THROUGH COAL LIQUEFACTION AT A COST OF THE EQUIVALENT OF 11-13 DOLLARS PER BARREL OF CRUDE PETROLEUM.

3. IN THE MEDIUM TERM THE FRG COULD INCREASE ITS OWN NATURAL GAS PRODUCTION THROUGH FURTHER EXPLORATION AND DEEP DRILLING. IT ALSO HOPES TO OBTAIN ADDITIONAL NATURAL GAS FROM IRAN. THE PRINCIPAL LONG-TERM ALTERNATIVE ENERGY SOURCES ARE NUCLEAR POWER AND NORTH SEA OIL, PRIMARILY FROM NORWAY. IT IS ESTIMATED THAT BY 1980 NORWEGIAN PRODUCTION OF CRUDE OIL COULD ATTAIN A LEVEL OF 50 MILLION TONS PER YEAR AND NATURAL GAS PRODUCTION AT A LEVEL OF ABOUT 35 MILLION TONS OF CRUDE OIL EQUIVALENT PER YEAR.

4. IN ADDITION TO THE EXAMINATION OF ALTERNATIVE ENERGY SOURCES ON THE SUPPLY SIDE, CONSIDERATION IS BEING GIVEN TO REDUCTIONS IN OVERALL ENERGY DEMAND. PROFESSOR SCHNEIDER OF THE ENERGY INSTITUTE OF THE KONRAD ADENAUER UNIVERSITY IN COLOGNE HAS TOLD US THAT IN HIS VIEW GASOLINE IS PRICE ELASTIC AND THAT BY USE OF THE MARKET MECHANISM GASOLINE CONSUMPTION COULD BE REDUCED CONSIDERABLY. SCHNEIDER ALSO ESTIMATED THAT IMPROVED INSULATION IN BUILDING CONSTRUCTION COULD RESULT IN 30-40 PERCENT SAVING IN LIGHT HEATING FUEL. LONGER TERM ENERGY SAVING MEASURES MIGHT INCLUDE STRUCTURAL CHANGES IN ECONOMY SUCH AS, FOR EXAMPLE, GREATER RELIANCE ON IMPORTS OF PIG IRON IN SUBSTITUTION OF DOMESTIC PRODUCTION CUTBACKS IN THE PRODUCTION OF ENERGY INTENSIVE CHEMICAL PRODUCTS, ETC.

5. PROFESSOR SCHNEIDER PROJECTS A LONG-TERM PRICE OF OIL AT AROUND 5-7 DOLLARS A BARREL, IN 1972 PRICES STARTING AROUND 1980, WHEN ALTERNATIVE ENERGY SOURCES COME ON STREAM. SCHNEIDER ESTIMATES THAT THE PRICE OF OIL BETWEEN NOW AND 1980 WILL BE PRIMARILY A FUNCTION OF THE AMOUNT OF INVESTMENTS IN ALTERNATIVE ENERGY SOURCES AND OF THE LIMITED OFFICIAL USE
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PAGE 03 BONN 00803 161746Z

ANNOUNCEMENT IMPACT AND RESPONSE OF OPEC GOVERNMENTS TO SUCH INVESTMENTS.
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